

# Maryland Film Production Employment Act – Tax Credit

## Annual Report

Pursuant to Tax General Article §10-730

Submitted by

Maryland  
Department of Business and Economic Development

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## **Maryland Film Production Employment Act - Tax Credit**

### **Overview**

During the 2011 Maryland General Assembly, Senate Bill 672 - Maryland Film Production Employment Act of 2011 (Act) was introduced and subsequently signed into law. The Act repealed the existing Film Production Rebate Program and replaced it with a tax credit for qualified direct costs of qualified film production activities including feature films and TV series. Under the Act, the Department of Business and Economic Development (DBED) can award a maximum of \$7.5 million in credits in each fiscal year. Qualifying production activities are eligible for a tax credit of up to 25% of the qualified direct costs for a feature film, and 27% for a television series. If the amount of the tax credit exceeds the total tax liability in the tax year, the entity can claim a refund in the amount of the excess. The Act became effective on July 1, 2011 and sunsets on June 30, 2014.

The Act requires DBED to report on specific data before January 1 of each year. Pursuant to Tax General Article § 10-730 the report must include:

- (1) the number of film production entities submitting applications;
- (2) the number and amount of tax credit certificates issued;
- (3) the number of local technicians, actors, and extras hired for film production activity during the reporting period;
- (4) a list of companies doing business in the State, including hotels, that directly provided goods or services for film production activity during the reporting period; and
- (5) any other information that indicates the economic benefits to the State resulting from film production activity during the reporting period.

In the first six months of the program (July 2011- December 2011), four production companies applied for, and were qualified to receive, a Maryland Film Production Employment Act Tax Credit thereby committing all funds allocated for the tax credit through FY2014. Those projects were for the first and second seasons of HBO's television comedy series *VEEP*, season 1 of the MRC/Netflix series *House of Cards*; and, two independent films – *Better Living Through Chemistry* and *Jamesy Boy*. Funds became available in August of 2012 when the production spend for the first season of *VEEP* was under their projected spend. The independent feature film, *Ping Pong Summer*, applied for, and was qualified to receive, a tax credit.

Attached is a summary (*Appendix A*) outlining the encumbered tax credits for each of the six productions. All six productions have been qualified and approved to receive a tax credit and have either been issued a final tax credit certificate, a preliminary tax credit certificate or a letter of intent indicating the maximum amount of tax credit for which the company is eligible and the fiscal year from which those credits will be drawn. In addition, the chart includes the projected spend and the maximum tax credit amount and the estimated hires for each company. This information is taken directly from the applications for tax credit submitted by the production companies. The final tax credit amount will be determined based on the company's actual qualified direct spend after the conclusion of the film production activity in the State and the State's review of all their closing documentation, including a Report on Agreed Upon Procedures by an independent CPA.

Only one of the six applicants, season one of HBO television series *VEEP*, has been issued a Final Tax Credit Certificate. [Production companies have 180 days after the conclusion of the film activity in the State (i.e., closing the local production office) to submit ALL final documentation.] *VEEP* completed filming on December 6, 2011, closed the production office on December 30, 2011 and submitted their final application for tax credit along with all of their closing documentation (including a Report on Agreed Upon Procedures by an independent CPA) on June 12, 2012. The materials were reviewed by Maryland Film Office staff and a tax credit certificate was issued on October 17, 2012. *VEEP* received a tax credit of \$3,410,885 and had an economic impact of over \$30.6 million. The production hired 187 local technicians and 791 local actors/extras. In addition the production company provided business for 1,141 local vendors and contractors. Attached are copies of two lists of vendors for *VEEP* (*Appendix B – Vendors paid by check* and *Appendix C – Vendors paid by PC/Debit card*).

As of December 2012, the productions *House of Cards*, *Better Living Through Chemistry*, *Jamesy Boy* and *Ping Pong Summer* have all completed filming in the State. *Jamesy Boy* has submitted their final application for tax credit and their closing documentation which is currently under review for accuracy and completeness by the Maryland Film Office. The Film Office expects to receive the final applications from the other 3 projects in the near future.

Further information regarding the Maryland Film Production Employment Act Tax Credit process can be found on the Maryland Film Office website at:

<http://www.marylandfilm.org/FilmProductionEmploymentAct.html>

*Appendix A - Film Tax Credit - Report 2012 APP A - Tax Credit Chart*

*Appendix B - Film Tax Credit - Report 2012 APP B - VEEPs1 Vendor List Report*

*Appendix C - Film Tax Credit - Report 2012 APP C - VEEPs1 PC Vendor List*